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Financial Services Digital Marketers: Four Opportunities to Improve the Customer Experience

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Introduction[1]

Digital marketers in the financial services sector (FSS) are hereby served notice: the status quo is no longer good enough. Continue with business as usual, and customers will abandon their current FSS company, and switch to another.

An important question has emerged: are FSS digital marketers—banks and financial services companies—aware that their customers are engaging with their competitors, on multiple channels and devices? If not, they need to become aware, and fast. Nearly half (49.4%) of all customer interactions with banks and financial services companies now occur online: via Web sites, social media networks, and email. However, a full 37.9% of business is still conducted in-person at the branch. Only 12.6% of FSS customer interactions now occur via phone calls.[2] Recent research of U.S. consumers opening accounts for new financial products revealed that consumers opened 37% of these accounts online, 2 % by mobile, and 40% in a branch.[3]

Customers are not only more mobile than ever before; with a Web's worth of choices literally at their fingertips, they are also less loyal. Now, more than ever, it is easier to shop around and switch providers. Nearly half of FSS customers (47.4 %) are not strongly loyal to their banks: 26.8% consider themselves somewhat loyal to their bank, while 20.6% are neutral or not loyal. This is also, in part, because only 20.1% of customers say they are very confident their bank understands them.[4]

The combination of customer mobility, the broad availability of choices on the mobile Web, and lack of confidence that their bank understands them, means that today, the opportunity for missteps is greater—and just one can result in a lost customer. Missteps by FSS providers can include sending wrong, irrelevant, or redundant information; sending the right information across the wrong channel; or failing to make appropriate offers based on understanding the customer. Any of these can send customers and prospects scurrying to competitors who, today, are just a click away on a keyboard or mobile device. Moreover, it is not just errant tactical moves that can drive customers away; banks must get mobile right, structurally and strategically, to keep their customers. For example, 40% of U.S. consumers will move to another provider if a bank's site is not mobile-optimized.[5]

FSS companies need to be vigilant to recognize that even if customers have not churned, under the surface, more and more of them are positioning themselves to change providers completely, or maintain multiple providers to meet various financial needs. More than one-third of customers (37.7%) hold accounts with multiple banks; and among those who are most likely to choose high-revenue financial services and make significant investments—those aged 45-54—a full 42.5% hold

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[1] Please note that the insights and opinions expressed in this assessment are those of Stratecast and have been developed through the Stratecast research and analysis process. These expressed insights and opinions do not necessarily reflect the views of the company executives interviewed.

[2] NGDATA: *2014 Consumer Banking Survey*

[3] Banking.com: *Consumers Are Increasingly Using Multiple Devices to Support Banking Needs* (3 November 2011) http://tinyurl.com/ky6rrdg

[4] NGDATA: *2014 Consumer Banking Survey*

[5] Google: *Mobile Banking Trends 2012*

one to three accounts with different banks.[6] Almost a quarter of customers in Europe now hold more than two accounts with a second bank, and one in 10 source more than two services from a third provider. Twenty-four percent (24%) have changed their main banking provider at some point in their life; but 10% did it in the last two years, and 11% plan to make a change imminently.[7] Clearly, FSS companies need to analyze their customer bases to understand how to not only keep these high-value customers in the fold, but to also grow their accounts.

This Stratecast report analyzes various opportunities for using digital technologies to deliver better results for banks and financial services providers. It discusses challenges that FSS digital marketers face, and opportunities for meeting these challenges: making better use of digital data; optimizing engagement across channels and devices; and improving customer acquisition processes by personalizing offers and messaging—all to reach their ultimate goals of revenue growth and retention.

Even with Today's Challenges, Opportunities Exist to Differentiate

FSS digital marketers face a number of key challenges that make it difficult to achieve the revenue and retention results that top management is expecting. This report outlines four opportunities that digital marketers in FSS have to improve the customer experience:

1. **Map your customer's journey**, to provide a more consistent and relevant experience
2. **Connect online with offline**, to build a comprehensive view of your customer
3. Build online experiences around **customer segments**, to improve relevance
4. Go beyond the basics to **stay connected on mobile**

OPPORTUNITY #1: Map your customer's journey, to provide a more consistent and relevant experience

Customers often follow disconnected journeys that pause and resume, occur over time and across multiple devices and channels, including the company's Web site, social media, contact center and in-person visits to the branch. Without a clear, unified view of the customer across all of these touch points, each touch appears as random "hits"; when, in fact, the customer is following a clear path. The result is random, high-cost interactions for companies, and wasted time and frustration for customers—so, no one benefits.

Communicating consistently and effectively with customers at all touch points requires a clear understanding of the customer journey. The good news is that the journey can become clear when FSS companies look at the right data and bring it all together. This is critical to uncovering both journey-level and customer-level insights. At the customer level, look at their needs, how well those needs are being met, how happy or unhappy they are with their current service, and what other products they will likely be interested in. At the journey-level, you should ask: how are my customers in the aggregate using each of my digital channels, and how does one influence the other?

For a typical FSS company, customer interaction takes place across multiple channels. Channels include helpdesk, chat, virtual assistants, phone, intelligent voice recognition (IVR), email, social

[6] NGDATA: *2014 Consumer Banking Survey*

[7] Ernst & Young: *Understanding Customer Behavior in Retail Banking* (February 2010)

media, mobile, and the company Web site. An overwhelming majority of customers (88%) use two or more channels to interact with their bank; and 46% use three or more channels in a given year.[8]

Customers expect, and rightly so, the same level of personal touch across all of these channels, but due to the rapid evolution and addition of channels, FSS companies are challenged to keep up. Often, data collected on each of these channels is either not collected at all or not well-integrated with others. Adding to the confusion, financial institutions have huge portfolios of products which are often managed by multiple departments. In turn, each department may interact with the same set of customers—at times using competing technologies or channels to facilitate customer interaction. Typically, these solutions work independently of each other. This fosters channel and product silos, creates added layers between company and customer, and disjointed communications threads.

For many FSS organizations, their silos makes it challenging to address what matters most to their customers and understand the unique needs across different segments of their customer base. Plagued with a silo culture for decades, inter-departmental information sharing is often limited, in terms of both systems and the organization itself. Organizations need a unified view of their customer's interactions. Together, this will help FSS marketers to leverage all relevant information about customers and provide an experience that would be optimized for all channels.

Because of this problem, the process of *customer journey mapping* is becoming common within FSS companies to gain a better understanding of how their customers engage with their brand. Often the person responsible for this initiative is a senior leader within the company who is managing a cross-departmental project. For many FSS companies, it is not restricted to digital since the journey transcends digital into the branches and regional offices. This initiative owner is often senior enough to get buy-in cross-functionally and drive this exercise into the organization. More and more the "owner" of the customer journey will be marketing where the ultimate goal is to optimize the customer experience. In either case, a single owner will ensure a unified view and be the leader of transformation across the organization. Ultimately, it's about discovering new opportunities to improve your customer experience and to differentiate your brand in the market.

OPPORTUNITY #2: Connect online with offline to build a comprehensive view of your customer

At the dawn of the banking industry, bankers had just one customer touch point: the branch. Since then, however, new channels just keep on coming: ATMs, help desk/call center, online, mobile and more. The number of customers who never see (or want to see) the inside of a branch is growing: for example, 16 % of banking customers in Australia never go to a branch, and three-quarters of Standard Chartered Bank's customers, who are spread over 40 countries, listed the Internet as their first choice to communicate with the bank. Only 12 % choose the branch as their primary contact point.[9]

Yet, amazingly, for many in the banking and financial services industry, the branch is still the center of their universe—and this despite the fact that 30 % of all retail banks are experiencing a decline in transactions. Among mid-tier banks, those with assets of $1 billion to $50 billion, it is even worse, with 43 % experiencing fewer transactions than before. All of this would seem to indicate that bank branches are headed for extinction, but 40 % of banking customers still are opening accounts and

[8] Consumer Banker's Association: *The State of North American Digital and Multichannel Banking 2013*

[9] Brett King and Marshall Cavendish (International) Asia Pte Ltd: BANK 2.0: *How Customer Behaviour and Technology Will Change the Future of Financial Services* (February 2010)

signing up for new services at branches. So, in addition to focusing resources and attention on the online experience, banks need to focus on connecting those experiences with the branches.

Banks have an opportunity to use branches as a way to develop personal relationships, while providing an experience that is consistent, or at least connected, to the one they had online. The backlash against banks, as a result of the 2008-09 global financial crisis, is severe; but, by optimizing services and offerings at branches, banks could do much to repair the damage and increase the trust. That should be an easy sell, since customers are demanding better personal relationships with financial advisors. In fact, nearly a third of customers consider a personal relationship with their bank advisor to be highly important when choosing a bank.[10]

Banks must admit that the branch is no longer the center of the universe to their customers, but that branches now exist as part of a banking and financial services ecosystem that includes all channels. By doing so, banks can revisit branch training, and access to information from all channels while in-branch, to improve the customer experience—opening the door to face-to-face product recommendations based on individual customers' behaviors, on all channels.

Connecting transactions and product holdings with online behaviors can help banks do better customer segmentation (see Opportunity #3, below), which can lead to a more tailored customer experience and more targeted offers for new products when they are back online. Sending incomplete online applications for mortgages or credit cards to the branches for follow-up can deliver real results if this data is connected properly, and the follow-up process is executed correctly.

The branch is part of delivering excellent customer experiences. That is important because, by 2020, customer experience will overtake price and product as the key brand differentiator.[11] Customers are demanding improved access to personal advisors; and banks must upgrade not only the advisory skills of everyone who deals with customers—which means, potentially, everyone who works in a branch location—but also the data that advisors can leverage in their recommendations.

OPPORTUNITY #3: Build online experiences around customer segments to improve relevance

FSS customers cite customer service as the most important factor when choosing a bank: 42.2%—nearly 20 percentage points higher than the next most cited factor: bank location, at 24.3%; and also substantially higher than efficient online services, at 22%; and financial rates and loan offerings, at 11.5%.[12]

Banks and financial services companies know the value of making the right offer to the right customer or prospect at the right time. Not only is that a best practice, but customers are expecting it: 50 % of U.S. cross-channel users expect organizations to provide personalized offers.[13] Leading FSS organizations segment their customer base to provide a tailored experience for each "segment." This form of personalization, although not 1:1, is an effective way of improving the customer experience, and a valuable stepping stone to finer grained 1:1 personalization.

FSS companies know their customers better than most other industries, and can define segmentation schemes based around, at a minimum, product holdings. But more sophisticated

[10] Ernst & Young: *Understanding Customer Behavior in Retail Banking* (February 2010)

[11] Stratecast | Frost & Sullivan; eMarketer; Genesys

[12] NGDATA: *2014 Consumer Banking Survey*

[13] Genesys: *2014 Customer Experience Study*

segmentation schemes can be achieved by obtaining analytic insights about customer demographics, behaviors, location, and other contextual data; purchase history and other transaction types; recent interests as expressed through searches and information requests; interactions with customer service and helpdesk; and interactions on Web portals and social media. Leveraging this information enables FSS companies to provide a more relevant online experience, and also to make appropriate cross-sell or upsell offers based on a customer's segment.

One national insurance company segmented their customers by the type of mortgage they had, and then was able to tailor the hero banner on the home page when that client returned to their Web site. The banner included relevant imaging for the type of customer and, in some cases, an invitation to check out a related product offering.

Keep your segmentation strategy simple to start. As an example, pursuing a segmentation strategy aligned around customer loyalty status could produce immediate returns by tailoring how you engage with those different segments. More than half of FSS customers (54 %) would join a loyalty program if their bank offered one.[14]

Other examples, as shown in Exhibit 1, consider several customer types, and how segment targeting changes the nature of the offers a bank might offer to each.

Exhibit 1: Examples of How Segment Marketing Can Tailor Offers by Customer Type

Customer Type	Potential Offers/Discussion Points
25-year-old in early stages of career	• Cutting-edge capabilities • Personal loan programs
30-year-old professional about to have children	• Mortgage loans • Life insurance • Investments: more aggressive growth strategy
Successful 40-year-old professional	• Life insurance • Investments: moderate risk, income, capital preservation • Tax planning strategies
Successful small business owner	• Business account management • Customer convenience packages • Loans to support capital expenditures

Source: Stratecast | Frost & Sullivan

FSS companies must get personal with their customers, and an effective segmentation strategy can help. Keep it simple, but consider behavioral patterns, product holdings, transaction history, and demographics to create segments that align with your business goals. Providing a customer experience specific to the segment the customer is in, makes him or her feel understood and valued; and that builds customer loyalty, which creates a fertile environment for customer retention, as well as upselling and cross-selling opportunities.

[14] Ernst & Young: *Understanding Customer Behavior in Retail Banking* (February 2010)

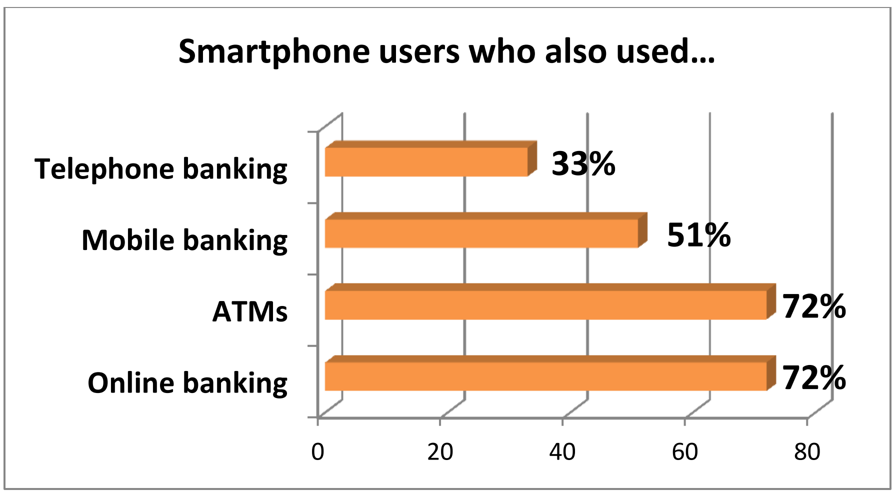
OPPORTUNITY #4: Go beyond the basics to stay connected on mobile

FSS companies certainly need to go where their customers are, and, increasingly, that means going mobile. While these new channels can help them reap cost reductions, banks must also be mindful of a return to traditional values brought about by the crisis of 2008-09. Although customers are increasingly mobile and social, they are also again seeking one-to-one contact and personal relationships.[15]

Mobile needs to play a bigger role in how FSS digital marketers interact with customers. Stratecast's parent company, Frost & Sullivan, expects the number of US mobile financial services users to double from 45 million in 2012 to nearly 90 million in 2017.[16] Furthermore, respondents to a recent Stratecast survey gave FSS digital marketers some great news: 59% have received a brand advertising message on their smartphone related to their current location; and 84% are somewhat, very, or extremely likely to respond to location-based offers.[17]

Consumer engagement across mobile is rising fast, especially in FSS. As shown in Exhibit 2, among smartphone users, an equal number of respondents (72%) used online banking and ATMs; 51% used mobile banking; and 33% used telephone banking.[18]

Exhibit 2: Channels Used by FSS Customers on Smartphones



Source: 2014 U.S. Federal Reserve Board Report on Financial Services; figures not additive, as customers use multiple channels

The potential for customer interactions on mobile is exploding. FSS companies, however, continue to design their mobile apps for basic tasks only, such as deposits and withdrawals, and to check account balances. Stratecast believes that the reasons for their hesitance include fear of customer data security issues and regulatory constraints, and lack of both expertise and creativity about how to use the medium.

[15] Brett King and Marshall Cavendish (International) Asia Pte Ltd: *BANK 2.0: How Customer Behaviour and Technology Will Change the Future of Financial Services* (February 2010)

[16] Frost & Sullivan: *An Insight Into the U.S. Mobile Financial Services Market* (#9838-65, March 2012). For information on obtaining this or any Stratecast or Frost & Sullivan report, or subscribing to any research service, please contact your account executive.

[17] Stratecast: *2014 Big Data and Analytics Survey*

[18] 2014 U.S. Federal Reserve Board Report on Financial Services

The lesson for FSS digital marketers: get creative with mobile, and go beyond simple transactions to stay connected with customers. Banks are beginning to use mobile to stay close throughout the customer journey, implementing customer experience analytics to be as proactive as possible, and react when the customer has either a positive or negative experience. For example, when the customer experiences difficulties while applying for a loan, executing a transaction, or requesting information about a program; or achieves a usage or customer status milestone. And there are ways to make mobile apps easier to use for customers on-the-move, with voice commands or streamlining steps to complete a transaction.

A well-executed mobile communications program sends proactive notifications, such as reminders and status updates before important events; offers help during application and other processes; congratulates customers who achieve milestones; and provides other useful information—not to be intrusive, but to let customers know "someone is there" who cares that they have a positive experience. Mobile can help reshape customer behavior, reduce customer effort, and improve FSS company efficiency.

FSS companies already have insight into what customers are doing with their money. It is possible to go beyond just basic transactions with their business, and offer additional value through their insights on customers' other needs. Explore broader mobile engagement such as:

- Integrating in-branch traffic monitors to point customers to other less crowded branches close by, or convenient ATM locations
- Using insights on where customers are spending their money, to partner with service providers and offer relevant discounts; and then, providing mobile notifications when they are in the vicinity of the partner's location
- Sending notifications of progress towards or completion of a savings or budget goal
- Providing offers for ancillary services relevant to the relationship or transaction—such as the repair deals or towing assistance offered by Nationwide Insurance
- Keeping customers protected with the ability to easily turn off or activate debit cards for security reasons, such as offered by City Bank Texas
- Offering new mobile payment solutions to customers, as the Mercantile Bank of Michigan did with their PayPal partnership

Opportunities Abound for Differentiation and Improved Customer Experience

In summary:

- FSS marketers have multiple opportunities to work around the current challenges in the market, while still providing a differentiated, personalized experience for customers
- Consumers are demanding a different experience today, and the competitive landscape is changing
- The first step is to realize that the status quo is no longer sufficient. FSS companies need to change

- There is no one-size-fits-all approach—the program and solution will need to be developed with your organization's goals and current capabilities in mind
- Key opportunities to develop a next generation customer experience include:
    - Customer journey mapping, including channel interaction insights
    - Building an actionable, central data repository to connect all online and offline behaviors
    - Delivering the right message at the right time, on the right channel, through segmented personalization
    - Getting creative with mobile by leveraging the unique capabilities in device location, and additive experiences like the use of helpful notifications

Balance personalization and data privacy to build and maintain trust

The too-close-for-comfort near-meltdown in global financial markets in 2008-09 has led to governments and regulators imposing a complex web of regulatory requirements on FSS companies, designed to ensure not only the financial stability of FSS companies but also consumer privacy and other protections. Companies must comply with up to a dozen regulatory mandates across world regions. Because of these regulations and the more aggressive posture of governments toward FSS companies since the global financial crisis, FSS marketers simply cannot, in many cases, communicate as freely with customers as their marketing counterparts in other industries. That can be limiting, stifling creativity not only in the messaging they use but also by making them less apt to creatively find solutions driven by customer data.

Much as real-time analytics empowers banks and financial services companies to keep up with customers and the pace of business, a number of technologies and best practices enable them to stay closely in touch with customers without running afoul of either customers or regulators with regard to privacy and consumer protections. There is both a science and an art to protecting a customer's personal identifying information. The scientific side includes methods like data masking and hashing, which can be used to obscure the true information contained in a customer record, in order to protect a customer's identity while his or her data is being used in a system. System security features, such as setting authorization roles and levels, limit the number of system users who can even access a customer record. The art of data management protects consumers, and satisfies regulators, through a variety of common-sense practices such as using only aggregated or anonymized data, and providing consumer-friendly opt-in and opt-out policies and mechanisms.

A good example of the art and science of data privacy coming together to protect user identities is what occurs every day in mobile advertising. Many ad platform solutions providers now practice separation of customer data from application (execution) data: the advertising content and routing information resides at the solutions provider, but customer data resides with a third-party provider. When a request comes in to send an ad to a group of mobile users, their customer record information is brought into the ad platform only long enough for the platform to serve them the appropriate ad, where it is hashed to protect privacy. The ad is served to them, and their customer record is deleted by the ad platform, remaining only with the third-party provider.[19]

[19] This all occurs in milliseconds inside the ad platform.

Stratecast
The Last Word

FSS digital marketers need to step up their game. If they were not already aware that the status quo is no longer good enough, they should be now. Banking used to revolve largely around bank branches; but today, half of a customer's interactions with his or her financial institutions occur online; and increasingly, those interactions occur on a mobile device. So, banks and financial services companies need to provide full support of as many activities and transactions as possible online and on mobile apps. That is even more important when considering that, while mobile holds enormous opportunity—a customer can use an FSS company's services from any location in the world—mobile also brings competitive pressure, in that smartphone users can also access messaging and offers from competitors, at any moment. Stratecast's use of the plural "financial institutions" above was purposeful: a growing percentage of customers are sourcing multiple banks for accounts and services, rather than placing all their trust (and funds) in one.

Lack of customer insight prevents marketers from engaging customers and improving loyalty. They suffer from the lack of a unified, real-time view of the customer; the changing role of the branch in banks today; failure to integrate behaviors across multiple touch points; and uncertainty about which offers to make—and how to communicate those offers—without violating the complex global web of government-imposed regulations that resulted from the global financial crisis of 2008-09.

The good news is that FSS companies can find redemption through insights and personalization, across the entire customer journey. Developing an understanding of how customers utilize each channel, online and offline, enables new innovations that drive significant programs forward; including a unified view of the customer, an understanding of the complete customer journey, and segmented experiences for highly relevant offers, cross-selling and upselling.

That said, FSS companies must seek solutions that are tailored to their goals and current environment. Banks and other financial institutions should refrain from simply selecting vendors that tick a capabilities box; but, rather, assess their organizational strengths and weaknesses in relation to their goals. With these insights, FSS companies can best identify beneficial partners who can help them develop the relevant customer experiences they seek, and the internal insights they require to compete in a rapidly-changing environment.

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